BusinessPlus+ Newsletter

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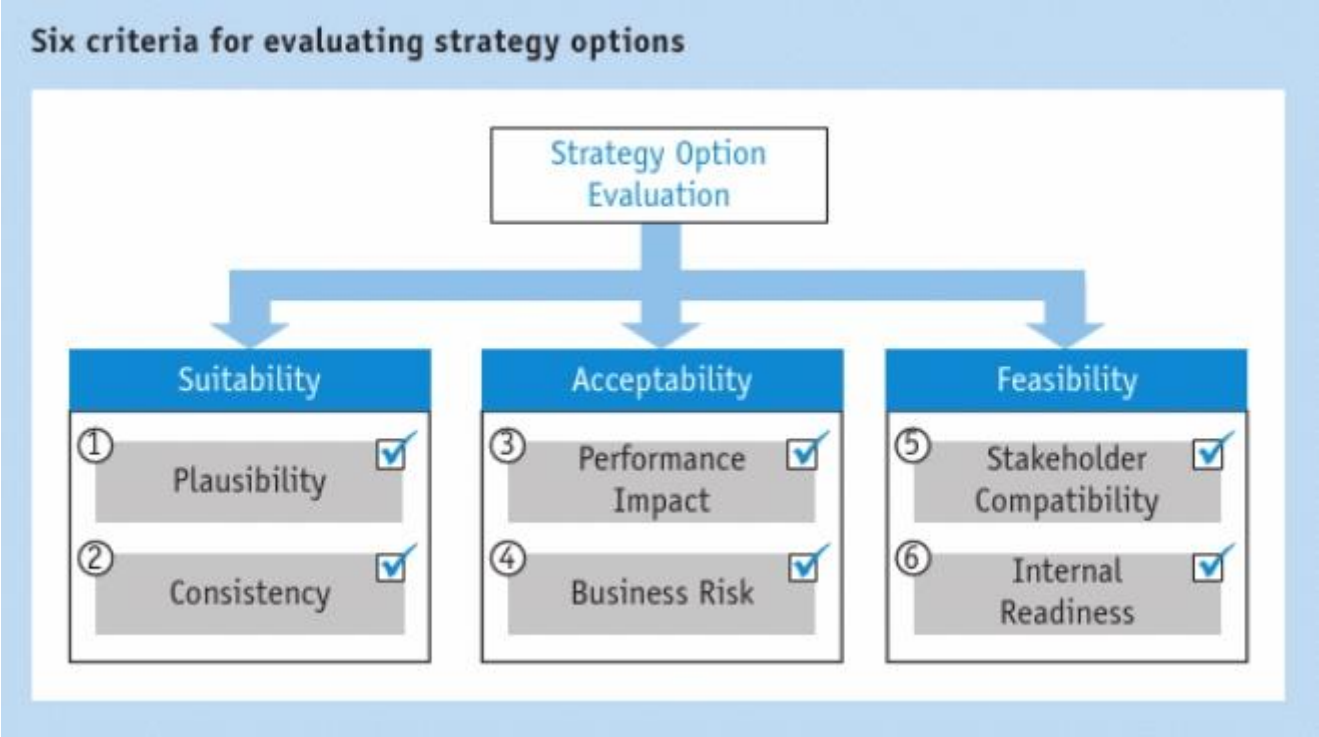
Questioning Your Business Growth Plan

So you've been experiencing an increased demand for your products or services and you think it's time to grow and explore new markets. Before you jump headlong into a strategic growth plan, there are some very important things you should consider first.



Have You Reviewed the Progress of Your Business Plan?

Regularly reviewing your progress in a timely fashion is absolutely critical for identifying how you can make the most of the market position you've established and decide where to take your business next. You'll need to revisit and update your business plan with your new growth strategy in mind and make sure you introduce any new developments you've noted.

Are You Meeting the Goals You Identified in Your Business Plan?

Can you show a system for growth to stakeholders and investors?

You must be able to prove you can meet those defined objectives if you want to build both internal and external confidence in your company's ability to expand and assure them that future goals will be met – and if you are seeking financial funding.

Reassess Your Core Activities

Review your mission statement, products and services. *What is your company vision and what is it that you actually do?* Ask yourself what makes them successful, how they could be improved and whether you're in a position to launch new or complementary products or services, or expand into other areas.

Assess Your Business Efficiency

Are there any internal factors holding the business back, and if so, what can you do about them?
Consider the various aspects of your business across all aspects of the organisation's operation, for example, your premises, your people, your equipment, your IT and management systems.

Do you need more customers but are lacking a big marketing budget? Learn how you can attract customers on a budget in this step-by-step guide using cheap, yet powerful marketing ideas.

Review Your Financial Position

Do you have plans in place to adapt your financing to accommodate your business' changing needs and growth? When reviewing your finances consider cash flow, working capital, cost base and borrowing ability.

Undertake a Competitor Analysis

The type of competitor information that will be really useful to you depends on the type of business you are and the market you're operating in. *Questions to ask about your competitors include:*

- who they are
- what they offer
- how they price their products
- what the profile and numbers of their customers are compared to yours
- what their competitive advantages and disadvantages are compared to yours
- what their reaction to your entry into the market or any product or price changes might be.

You will probably find it useful to do a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will show you how you're doing in relation to the market in general and specifically your closest competitors.

You might also undertake commissioned market research if you need more detailed information.

Undertake a Customer and Market Analysis

When you're reviewing your business' performance, you'll need to assess your customer base and market positioning as a key part of the process. You should update your marketing plan at least as often as your business plan. Information gained in this process can give your business the flexibility it needs to beat off stiff competition at short notice.

When you revisit your markets, look at:

- changes in your market
- new and emerging services
- changes in your customers' needs
- external factors such as the economy, imports and new technology
- changes in competitive activity.

You can also get feedback on your business' performance from your customers, and this should help to identify where improvements can be made to your products or services, your staffing levels or your business procedures.

Do You Have the Right Team in Place for Business Growth?

You must have both strong leaders that can manage a business and capable employees in order to achieve business development. In addition, it's an important consideration for investors.

But growth hacking is not just about the internal team. Sometimes the green light for growth comes if you find a compatible business partner, for example a manufacturing company, or a production house, who wants to grow with you.
Before you make this decision consider very carefully their level of commitment, what they bring to the table and whether they share your vision statement for the future – and whether you and your staff will be happy working with them.

You must have both strong leaders that can manage a business and capable employees in order to achieve business development.

Is Your Business Gaining Momentum?

Are customers and clients coming to you and are you fielding requests? If so this is an indication your brand is reaching a level of awareness that is positioning it for growth.

Are You Realistic About What Your Company Can Handle?

You may have conquered a particular market and believe the time is right to move to the next one. However, you must be discriminating in terms of what growth you can handle. You need to look at the economic benefits and consider your existing infrastructure and resources.

Can You Handle the Additional Workload?

While there may be plenty of clear signs that your business is ready to expand, successful growth can be tough to achieve if you're not personally ready for the accompanying commitment. It can take some time to achieve a regular rhythm after expansion.

The time needed and expended to project manage business growth can affect not only your business but also your personal life.

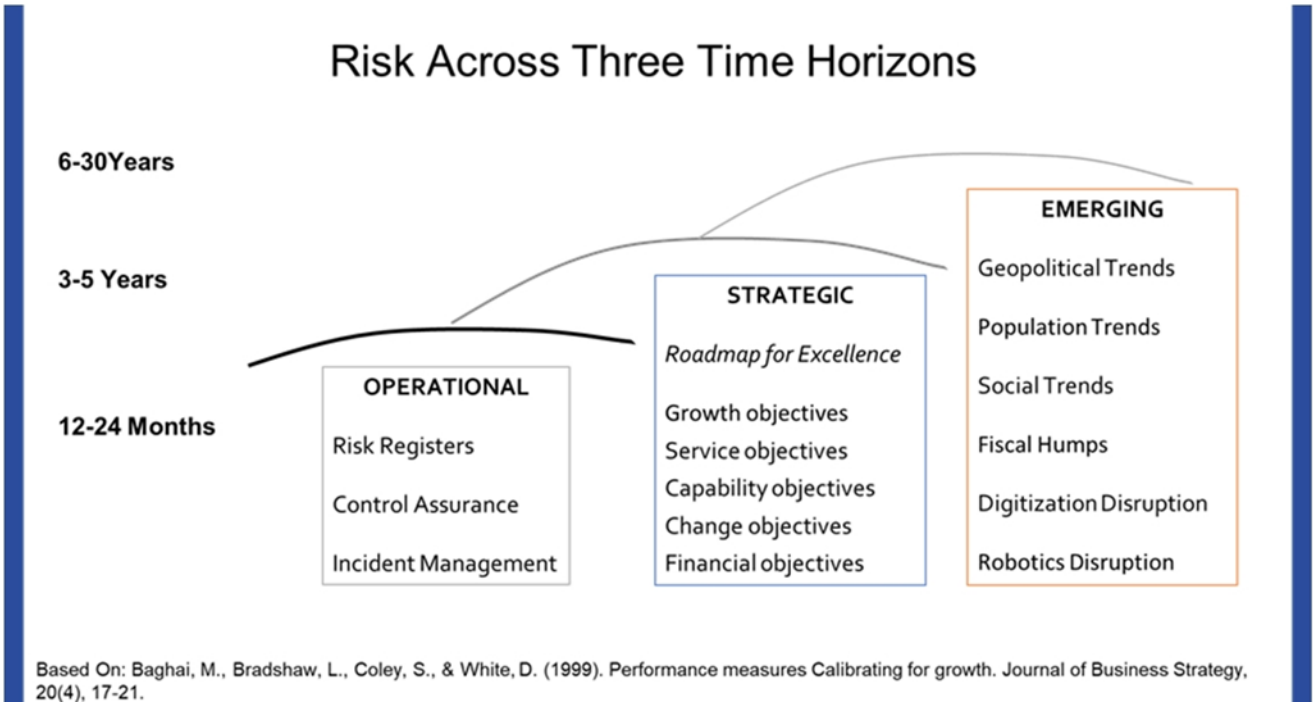
Do You Have the Cash Flow Required?

Put simply, growth costs money and you need a cost management plan. You aren't ready to grow unless you're in a position to carry the business until the sales catch up with the new growth plan investment.

Finally, Redefine Your Business Goals

Once you've addressed all the above considerations you're in a better position to redefine your business goals along with carefully thought through business growth strategies on how to achieve them. Ensure you develop and implement a management plan and develop a timetable.

In the dynamic business world of today, no plan is set in stone. Regular reviewing of all your business plans is essential, including reassessing the business risks across the timeframes, as illustrated in the diagram below.



Healthy Communications in a Family Business

Communication in a family business always seems to be a moving feast. Someone, somewhere, in the family, may appear to be out of alignment with business decisions or strategies or family roles or responsibilities. And yet, communication is a core competency that all family members and staff employed in the business must have to effectively operate and reach their goals.

The Golden Rule of Family Business Communication

Given this complexity, the best advice on how to effectively communicate is by always applying the Golden Rule of family business: ***All communication should be open and honest*.**

Applying the Golden Rule in your family business is the best advice for success in every situation since it reduces assumptions and builds trust. However, this is not easy work. So how does a family business become a completely open and honest communication environment?

First, you must develop processes that separate out the three main systems of family, business management and ownership. It is productive to spending time creating structures and developing habits to instil discipline so that family issues are discussed in a family setting and not at the business. Similarly, an ownership issue should be discussed only among owners, not with everyone in the family. Finally, management should be able to make business decisions on a day-to-day basis without interference by non-working family members. Each system of family, management and ownership may have different rules or norms around communication that need to be understood and respected by all.

A good starting point is for a family business to gather the family on a regular basis – at least once a year – to discuss the progress of the business with the family and allow family members to ask questions.

This would be the right communication venue for family members who are not involved in the business to get their concerns heard. There are many in the family who are affected by the business – spouses, for example, even if they do not own shares or work there – and it is natural for them to have questions. An annual family meeting can provide them the forum to get heard. A family meeting with open and honest communication is an excellent way to build understanding and improve communication in a family business.

Building an open and honest family business takes a great deal of dedication and effort, but the rewards are significant in terms of reducing conflict and miscommunication. When facing your day-to-day dilemmas with regard to your family business, you should also strive to be as open and honest as possible. It will not only improve the family business dynamics, but will likely lead to fewer problems in the long run.

Tips for Your Next Family Meeting

1. **Do not try to discuss and resolve family and business issues or challenges in the same meeting**. Separate the challenging questions so the facts are the focus of the information flowing across the table. Have separate meetings with family to discuss family issues and other meetings to discuss business issues.
2. **Really listen to the other people in your conversations**. Check-in with the others in the conversation that “This is what I’m hearing. Is this what you are saying and meaning?”

3. **Be very wary of your messaging when using technology to communicate with other family members and business associates.** When not meeting face-to-face the dynamics of communication change and we lose the body language and tone of our conversations. Create an online strategy for all to understand and use.
4. **Educate family members and staff on how to communicate better**. Training can be part of an on-boarding process for new family and employees joining the business and can also enhance the skills of those already in the business.
5. **Conduct a review of your current perception of communication** with the family and maybe even include the top management team. Ask questions like: On a scale of 1 to 10, how well do you think we are communicating now? Is there something bothering you that has not been addressed by the family? What can we do to improve our communication? Look for an average communication score and discuss member's perceptions. Then, you can look for ways to improve your family's communication by running another sample a month or two after some recognised adjustments have been made.

Improving communication is a goal worth spending some time and effort to achieve. Working through these five items will enhance both your family and business outcomes.

Building Family Teamwork

Research shows that when any team faces challenging situations – meaning where there are differing viewpoints, high stakes and uncertainty (such as when families sit down together to plan their relationship with the business) – **their responses fall into five "*advocacy-oriented" approach***:-

Question	An Advocacy Orientation
(1) How to play the game	***Win by gaining converts to your point of view***
(2) How to win	***Forcefully and confidently advocate your point of view***
(3) Spontaneous view of team members who disagree	***They are competitors***
(4) Strategy for dealing with gaps in your argument	***Hide them***
(5) Respond to dissent	***Find it annoying and suppress it***

In a typical team where these advocacy dynamics are going on, the result is the team members become frustrated and start to become personal, progress grinds to a halt and people begin to withdraw and give up on the team and the whole process of teamwork.

An alternative and better approach to advocacy is to adopt an "***enquiry orientation".*** Team member, alone and collaboratively, explore other points of view. The shared goal is to collaboratively arrive at the best possible solution rather than implicitly to get converts to "my solution". Note the contrast to the previous table's orientations with this approach: -

Question	An Enquiry Orientation
(1) How to play the game	***Propose your point of view as one point of view; explore others views; experiment with different perspectives on the same issue***
(2) How to win	***Collectively arrive at the best solution***
(3) Spontaneous view of team members who disagree	***They are collaborators***
(4) Strategy for dealing with gaps in your argument	***Reveal them***
(5) Respond to dissent	***Seek it out and welcome it; examine its implications for the issue under discussion to get to a better outcome***

So, team members need to explain and explore their own and each other's reasoning, including the information they regard as more important or less important, their interpretations of that information and their conclusions. These skills are colloquially called ***"explaining and asking/exploring"*** and together with one other ingredient – acknowledgement – they underpin a more effective approach to teamwork in the face of challenging situations. **Balancing advocacy with enquiry and acknowledgement involves: -**

- **Enquiry: What is the other person's story?**
  - What do they see?
  - What are you missing?

- **Acknowledgement: Show others you understand**
  - Paraphrase what you have heard
  - Empathise with their feelings

- **Advocacy: What is your story?**
  - What do you see?
  - What are they missing?

Genuine curiosity follows from adopting this approach and leads us into more effective conversations in challenging situations, which commonly arise in a family business. This generates more successful family teamwork, improved relationships and better planning and problem-solving outcomes.

Business Tax Depreciation Incentives – Understanding the Complexities

The Federal Budget in May 2021, made further changes to the existing depreciation incentives available to business – and they are more complex than the mere taxation rules and determining the order of application and opt-out rules available to eligible business entities.

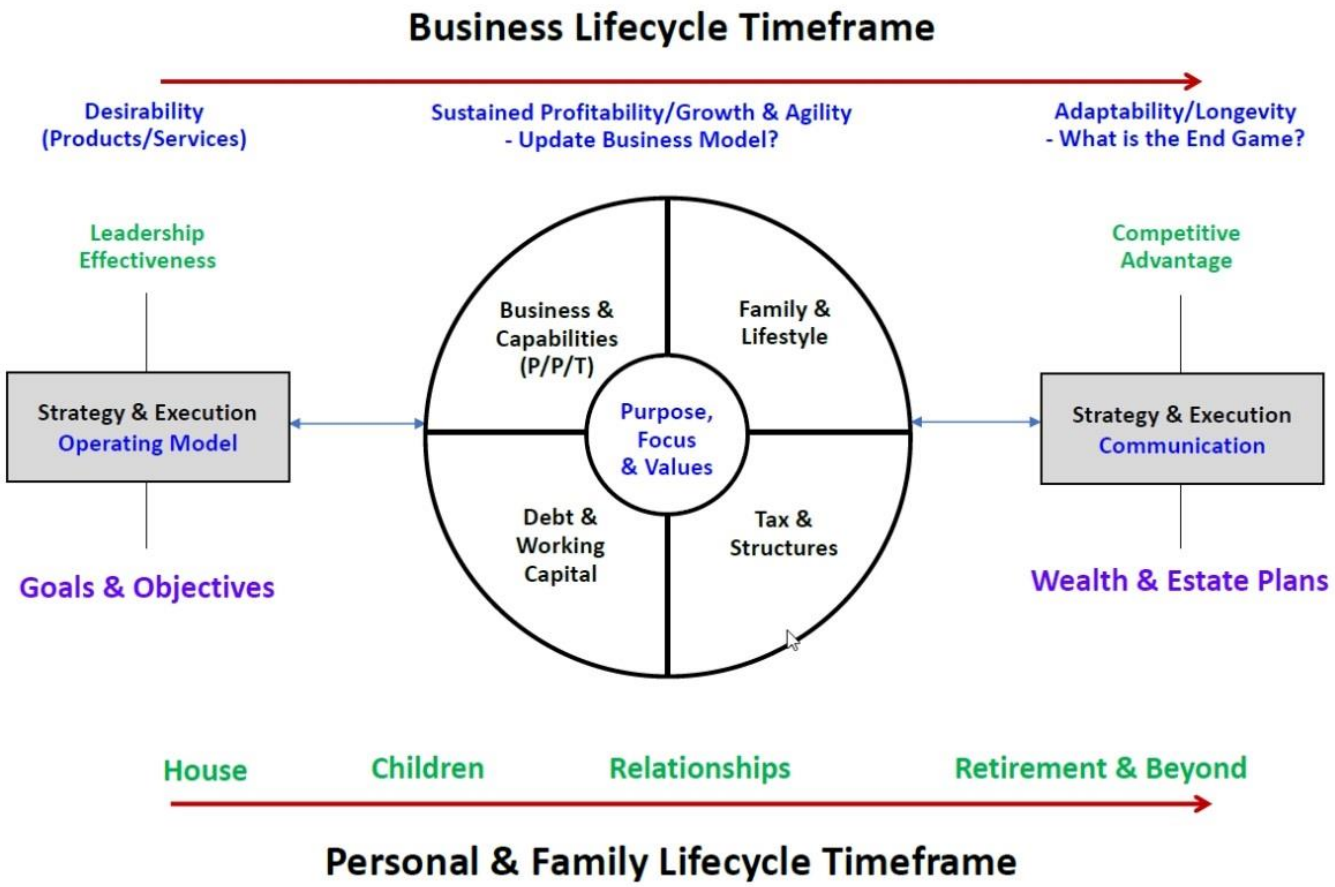
For a two-page summary of these incentives and the applicable timelines, please click on the link here.

In addition to the fundamental taxation considerations, some other things to be considered by business owners/operators may include the following questions being answered: -

- *Does the timing of possibly bringing forward capital equipment expenditure to an earlier financial year, align to your business and growth plans?*
- *What are the ongoing business cashflow implications of this investment decision for say the next five years?*
- *What are the financing and debt implications linked to this capital expenditure on the business and any existing bank loan covenant requirements?*
- *Is the level of capital investment commitment feasible for your business? This should be assessed after excluding the taxation breaks that are effectively being brought forward, that will likely have taxation and other consequences for both the year of expenditure incurrence and future years too.*
- *If you operate your business through a company – what are the adverse impacts (if any) on the company's dividend franking account balance that may impact the franking of dividends paid to shareholders?*
- *Have you considered the possible implications for higher taxation being incurred in future years when the brought forward depreciation costs will reduce significantly in the future?*

It is recommended all of the above questions (and there may be more) be considered before committing to a capital expenditure decision – that may be primarily driven by the accelerated taxation breaks being offered.

In addition, the decision should be considered in the context of fitting comfortably within the business strategy diagram below. **A good operating or strategic decision should sit well within the four-quadrant inner circle first and foremost,** with any beneficial taxation consequences being considered the icing on the cake and not the sole driving force for the capital expenditure being committed to: -



Business Strategy

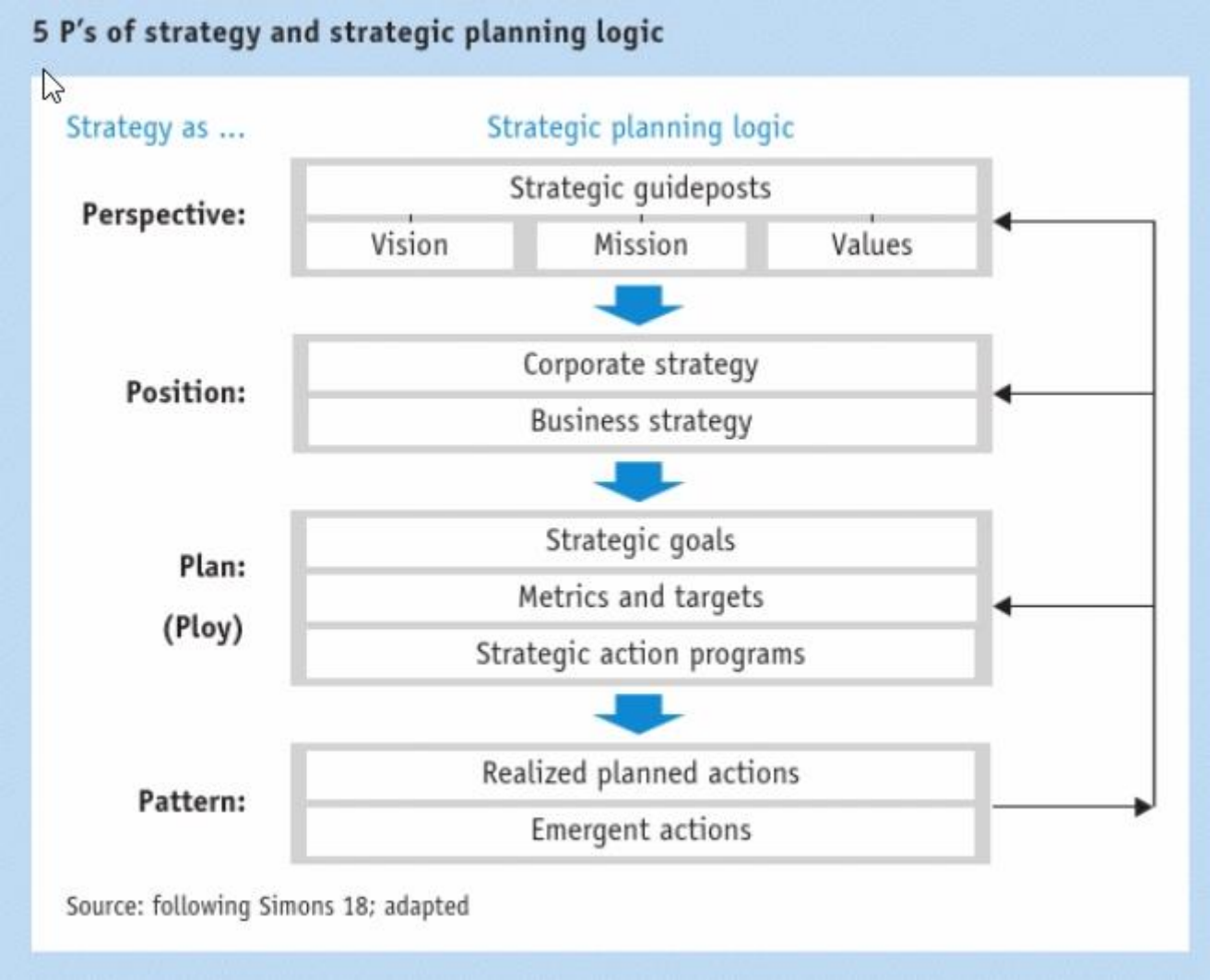
To better understand what strategy means in a business context, it is helpful to recognise different interrelated views of strategy that can be found in management practice and research. Understanding and integrating those different views is supposed to reduce some of the confusion that comes with the term *strategy*.

Many business operators are likely to define strategy as a plan that specifies what the company intends to do and when. It is made purposely in advance of the actions to which it applies. Others may understand strategy more as a specific competitive move or ploy to pre-empt an opponent's response in a head-on competitive situation. In this understanding it is also a plan but more in a sense of outmanoeuvring an opponent in a 1:1 business setting.

Another understanding of strategy is specifically related to the position in the environment that allows an organisation to generate sufficient "returns". In practical terms this might be a particular industry or the financially most promising product-market combination within the competitive arena a company focuses its resources on.

Whereas the position is outside the organisation, the understanding of strategy can also be based on a more internal view. Here, strategy is seen as a collective perspective in people's minds. It is a kind of shared mental model that builds the strategic orientation of the company.

A final understanding of strategy as a pattern is not related to the intention of people but to the resulting behaviour of an organisation. Here the key is consistency in behaviour, whether intended or not. **Successfully realised strategies are not always planned in advance and planned strategies are not always realised.**

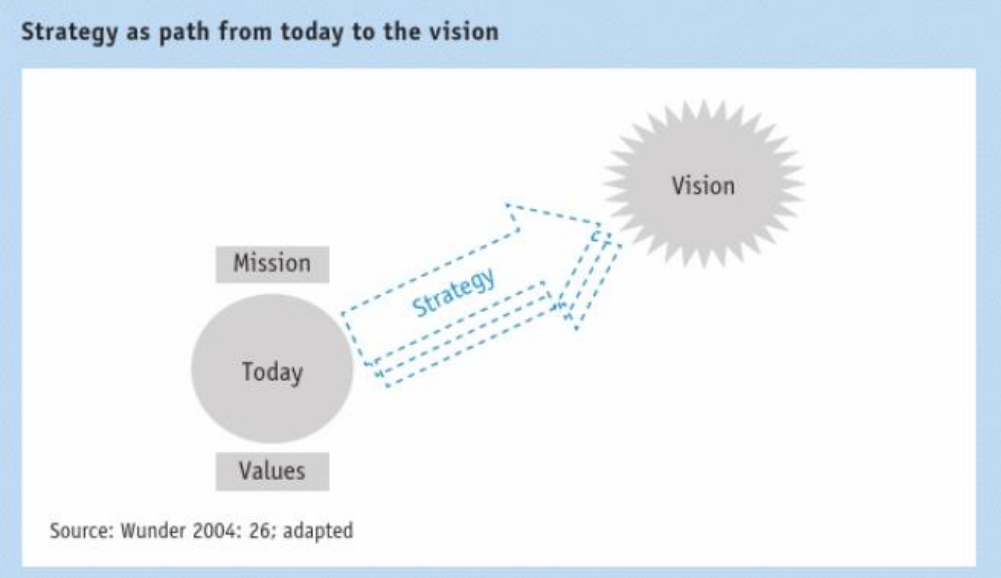


The diagram above provides an attempt to integrate the different views of strategy in a hierarchical order following a strategic planning logic. Strategic guideposts are established by a company's vision, mission and values. They provide a high-level normative direction and strategic context. This is a view of strategy as perspective.

Framed by the strategic guideposts the company has to decide where and how it wants to compete based on industry and market attractiveness and dynamics as well as its own resources and capabilities. This is the core of formulating corporate and business strategies and reflects a view of strategy as position.

Once certain strategy options have been decided on and strategy is set, it is refined with strategic goals, quantified with metrics and targets, and translated into strategic action programs as well as corresponding budgets and incentives. This is related to the view of strategy as plan. Some of those goals or actions may capture certain moves to outwit rivals or fight competitive threats that are viewing strategy as ploy.

Finally, strategy is what really happens. The strategic behaviour of an organisation may have been planned according to the process described or it may emerge unplanned through learning and trial and error. In any case, it is a consistent stream of actions and decisions. This is strategy as a pattern. By describing how companies like Ikea, Wesfarmers, Apple or others present themselves in the market, key strategic elements can be clearly identified as they reflect consistency in behaviour of those companies. Cornerstones of their strategies are visible for everybody to see without knowing whether they were ever planned in formal strategy sessions or just emerged over time.



Understanding Changes to the Employer Super Guarantee Rate

Business owners need to be alert to the superannuation changes. The superannuation guarantee (SG) paid by employers for an eligible employee is to rise from 9.5% to 10% - commencing from 1 July this year.

There will be increases of 0.5% each year until the SG percentage reaches 12% from 1 July 2025, as follows: -

- **Current SG Rate: 9.5% ending 30 June 2021**
- From 1 July 2021 – 30 June 2022: **10%**
- From 1 July 2022 – 30 June 2023: **10.5%**
- From 1 July 2023 – 30 June 2024: **11%**
- From 1 July 2024 – 30 June 2025: **11.5%**
- From 1 July 2025: **12%**

For Employees

The mandated SG percentage increase does not necessarily mean employees will get a windfall in overall pay from 1 July, as it is dependent on the terms of their employment contract and relevant awards.

It may be that there is a reduction in an employee's take-home pay, come 1 July to adjust for the 0.5% increase in the super guarantee, where SG is included in the employee's remuneration (SG inclusive) package agreement.

The increase in the SG rate to 10 per cent from 1 July 2021 also means that the SG opt-out income threshold will increase to $275,000 from 1 July 2021 (up from $263,157). High-income earners with multiple employers can opt-out of the SG regime in respect of an employer to avoid unintentionally breaching the concessional contributions cap ($27,500 from 2021-22).

For Employers

SG contributions are calculated and required to be paid at least quarterly by **employers, based on the SG percentage times ordinary time earnings (OTE)**.

OTE is the amount an employer pays employees for their ordinary hours of work pre-tax, including things like commissions and shift loadings, but does not include overtime payments. For example, if an employee's OTE is $100,000 for the 2021–22 tax year, the employer is required to pay $10,000 into their super fund (10 per cent of $100,000).

The Superannuation Guarantee $450 per month eligibility threshold will be removed from 1 July 2022. As a result, employers will be required to make quarterly Super Guarantee contributions on behalf of such low-income employees earning less than $450 per month (*unless another Super Guarantee exemption applies*).

What about Contractors?

It is important to note that <u>some contractors</u> are entitled to SG contributions, even if they have an Australian Business Number (ABN), as shown recently in decisions handed down in *Franco v Deliveroo Australia Pty Ltd* [2021] FWC 2818 [Fair Work Commission U2020/7066] and *Olias Pty Ltd as trustee for the Storer Family Trust and Commissioner of Taxation* [2021] AATA 1524.

In the *Deliveroo Case*, the Fair Work Commission (FWC) ruled Deliveroo was an employer of its delivery riders as it had significant actual – or potential – control over how work was performed, when work was done, and which delivery rider received that work. This indicated Deliveroo's business platform acted like an employer. The FWC also ruled the delivery rider was not carrying on a trade or business of his own, or on his own behalf. Instead, he was working in Deliveroo's business as part of that business and was entitled to employee wages and leave entitlements, and therefore SG.

Similarly, in the *Storer Case*, the Tribunal found that a music teacher employed under contract was, in fact, an employee and not an independent contractor.

According to the Australian Taxation Office (ATO), if an employer <u>pays contractors mainly for their labour</u>, they are employees for SG purposes and as their employer you <u>may need to pay SG for them provided they are paid</u>:-

(a) **under a verbal or written contract that is mainly for their labour** (more than half the dollar value of the contract is for their labour)
(b) **for their personal labour and skills**; as such, payment is not dependent on achieving a specified result
(c) **to perform the contract work personally** (and not delegated to someone else).

What about Temporary Residents?

Temporary residents (those on temporary entry visas), including backpackers, are also entitled to SG contributions from employers.

Tools to Assist Employers

The ATO has an online tool to help employers determine whether workers are eligible for SG contributions.
It also has an **OTE checklist** that calculates what employee cost is ordinary times earnings and which is not. Employers can determine employee SG contributions using the **SG contributions calculator**.

To do that, you must have a clear understanding of the markets and opportunities you are going after and ensure that your value chain is optimised to capture them. Any changes in the market or in your operations that require modifications in who you target or how you target them must be properly addressed by your tactical teams and looped back in.

Providing you professional direction